

science to conduct a comprehensive study regarding the effects of medical savings accounts in the small group market on—

- (1) selection, including adverse selection.
- (2) health costs, including any impact on premiums of individuals with comprehensive coverage,
- (3) use of preventive care,
- (4) consumer choice.
- (5) the scope of coverage of high deductible plans purchased in conjunction with such accounts, and
- (6) other relevant items.

A report on the results of the study conducted under this subsection shall be submitted to the Congress no later than January 1, 1999.

Report
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Subtitle B—Increase In Deduction for Health Insurance Costs of Self-Employed Individuals

SEC. 811. INCREASE IN DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(1) is amended to read as follows:

"(1) ALLOWANCE OF DEDUCTION.—

"(A) IN GENERAL.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the applicable percentage of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined under the following table:

taxable years beginning percentage is in calendar year	The applicable percentage	
1997	40	
percent		
1998	45 percent	
through 2002		
2003	50	
percent		
2004	60	26 USC 104
percent		note.
2005	70	
percent		
2006	or	
thereafter	80 percent.	

(7) EXCLUSION FOR AMOUNTS RECEIVED
UNDER CERTAIN SELF-
INSURED PLANS.—Paragraph (3) of section
104(a) is amended by
inserting "(or through an arrangement having
the effect of accident
or health insurance)" after '^ health
insurance.

(8) EFFECTIVE DATE.—The amendments
made by this section
shall apply to taxable years beginning after
December 31, 1996.